

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Promote  
Consistency in Methodology and Input  
Assumptions in Commission Applications of  
Short-Run And Long-Run Avoided Costs,  
Including Pricing for Qualifying Facilities.

Rulemaking 04-04-025  
(Filed April 22, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING  
REQUESTING ADDITIONAL INFORMATION FOR 2006 UPDATE**

On March 21, 2006, Energy and Environmental Economics, Inc. with assistance from James J. Hirsch and Associates ("2006 Update consultants") submitted the *Final Report on 2006 Update to Avoided Costs and E3 Calculator* (Final Report) in accordance with Decision 05-09-043.

Among other things, the Final Report presents a summary of correction factors that could be used to adjust the avoided cost valuation of energy efficiency measures installed for residential and small commercial air conditioning end-uses. These factors are based on an analysis of the potential undervaluation associated with using time-of-use (TOU) average load blocks, rather than hourly load data. In calculating these factors, the 2006 Update consultants assumed an equal distribution of the fraction of measures installed in each climate zone.

All of the parties commenting on the Final Report recommend some form of correction factor to address TOU averaging. However, there are disagreements with respect to what factors to use, for which measures/end-uses

to apply them, and even with respect to the source of load shape data upon which to calculate these factors. The purpose of this ruling is to obtain additional information on one of the approaches recommended by parties in order to augment the record on this issue. In particular, some parties recommend that the correction factors for each climate zone presented in Attachment 2 to the Final Report be weighted by the number of energy efficiency measures expected to be installed in that area (relative to the total number of measures expected to be installed), rather than assuming an equal distribution across all zones.

Accordingly, I direct the 2006 Update consultants to prepare a supplement to Attachment 2 of the Final Report that presents correction factors that are weighted by the expected number of energy efficiency measures to be installed in each climate zone (Supplement). For this purpose, the 2006 Update consultants should consult with Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company. The Supplement should include a description and source(s) of data used to develop the weights.

As indicated below, I provide an opportunity for parties to comment on the Supplement for the limited purpose of addressing the reasonableness of the climate-zone specific weights contained in that document. This is not an opportunity for parties to reargue their position as to whether or not correction factors should be applied to avoided costs, and/or which factors should be used for that purpose.

**IT IS RULED that:**

1. By April 10, 2006, the 2006 Update consultants shall post the Supplement described in this ruling to Energy and Environmental Economic Inc.'s website at [http://www.ethree.com/cpuc\\_ee\\_tools.html](http://www.ethree.com/cpuc_ee_tools.html) and provide electronic notice of

its availability to the 2006 Update service list in this proceeding. As soon as practicable thereafter, Energy Division shall also post a copy of the Supplement to the Commission website at

<http://www.cpuc.ca.gov/static/energy/electric/energy+efficiency/rulemaking/evaluation.htm>.

2. Comments on the Supplement shall be filed and served no later than April 14, 2006. As discussed in this ruling, the scope of the comments is limited to the reasonableness of the climate-zone specific weights contained in that document. There will be no opportunity for reply comments. Comments shall be served on the “2006 Update” service list in this proceeding, and pursuant to the Electronic Service Protocols attached to Rulemaking 04-04-025 and consistent with Rules 2.3 and 2.3.1.

3. This ruling shall be served on the 2006 Update service list in this proceeding.

Dated April 3, 2006, at San Francisco, California.

/s/ MEG GOTTSTEIN by  
JANET A. ECONOME

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Meg Gottstein  
Administrative Law Judge

## **CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Requesting Additional Information for 2006 Update on all parties of record in this proceeding or their attorneys of record.

Dated April 3, 2006, at San Francisco, California.

          /s/          FANNIE SID            
                          Fannie Sid

## **N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.